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CENTRAL INTELLIGENCE AGENCY
National Foreign Assessment Center

22 January 1980

MEMORANDUM FOR: John Danylyk
INR/REC
Department of State

SUBJECT : Soviet-Western Projects

Per your request, the following summarizes the status of major existing and proposed deals between Western firms and the USSR. Some of the deals include US firms, but non-US firms represent at least most of the value of the contract in each case. If you have any questions, please contact [redacted]

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Chief
Trade Branch
Office of Economic Research

Appropriate coordination has
been made within OER.

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[redacted]

New Gas Pipeline to Western Europe

One of the biggest deals now under active discussion is a pipeline to carry natural gas from West Siberia to Western Europe. A press report estimates the project cost at \$11.6 billion. High-level Soviet officials have met with leading German industrialists in recent weeks to discuss financing and purchases of pipe, compressors and compressor stations for the project. The Soviets have been discussing this project for some time, and it still may be several years before it gets under way. The recent publicity about it may be intended to drive home to West Europeans the cost -- in terms of lost business and Soviet raw materials -- of imposing extensive sanctions on the USSR. [redacted]

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Pipe Purchases

The USSR has been buying large volumes of large-diameter steel pipe for several years, mostly from Japan and West Germany. Apparently the bulk of 1980 deliveries have not yet been arranged. Japanese-Soviet negotiations for a [redacted] purchase were called off when the Japanese government suspended Export-Import Bank credits for the USSR. Mannesmann, the West German pipe supplier, has not finalized a contract for large-diameter pipes yet. [redacted]

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[redacted]
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Novolipetsk Steel Project

A [] contract was signed in December for equipment from Nippon Steel of Japan and technology from Armco of the US. Deliveries have not begun and the project appears to be suspended. []

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[] Cruesot-Loire, the French firm that lost the contract, may try to fill the void. []

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Nuclear Power Plant Negotiations

The Soviets last year proposed to several West European countries a deal to provide electricity in exchange for West European firms' supplying equipment and technology for nuclear power plants in the USSR. Discussions for a similar deal with West Germany in 1973-74 came to naught. The current negotiations -- with the Italians and West Germans -- are at an early stage. In an apparently unrelated transaction, an Italian firm signed a substantial contract two weeks ago for components for nuclear power plants. []

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Gas Lift Project

With the imposition of US controls on export of oil and gas equipment in 1978, the Soviets awarded a [] [] contract for gas lift equipment for the Samotlor and Federovsk oil fields to the French firm Technip. Deliveries of compressors and manifolds by the French will begin next month and will continue through October 1981. Some other equipment scheduled for delivery next month has been delayed because US microporcessors are not available. []

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Sayansk Aluminum Smelter

Alcoa pulled out of discussions on 4 January. The Soviets approached Alcoa's German partner, Kloeckner, to put together a deal in which Soviet technology would supplant Alcoa's. []

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Pipe Plant

West German and French firms won a [] contract in March 1979 to equip a Soviet plant to produce [] 10 inch pipe (not pipe for gas transmission lines). Deliveries have probably only just begun, if at all. The plant is scheduled for start-up in 1983. []

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Sakhalin Oil Exploration

A group of Japanese companies have been exploring for oil and gas in the Sea of Okhotsk of Sakhalin Island for several years. Discoveries so far have been promising but not enough to justify commercial development. Some US equipment has been used and will be needed for further exploration and eventual development. The next exploration efforts will begin this spring when the ice melts. [REDACTED]

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"ABC" Drill Rig Fabrication Yards

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The Soviets resumed negotiations last June for a [REDACTED] deal for equipment to produce offshore oil rigs. [REDACTED]

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[REDACTED] Four consortia were in the bidding as of last August: a French group, a British group which included a US firm, a Dutch group, and a Japanese group which included a US firm. All but the Dutch proposal were backed by government financing. [REDACTED]

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